

**REPORT OF THE AUDIT OF THE  
LESLIE COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2011**



**ADAM H. EDELEN  
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**ADAM H. EDELEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Lori H. Flanery, Secretary  
Finance and Administrative Cabinet  
Honorable Jimmy Sizemore, Leslie County Judge/Executive  
Members of the Leslie County Fiscal Court

The enclosed report prepared by Tichenor & Associates, LLP, Certified Public Accountants, presents the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Leslie County, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements.

We engaged Tichenor & Associates, LLP to perform the audit of these financial statements. We worked closely with the firm during our report review process; Tichenor & Associates, LLP evaluated Leslie County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Adam H. Edelen", written over a horizontal line.

Adam H. Edelen  
Auditor of Pubic Accounts

Enclosure





## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE LESLIE COUNTY FISCAL COURT**

**June 30, 2011**

Tichenor & Associates, LLP has completed the audit of the Leslie County Fiscal Court for fiscal year ended June 30, 2011.

We have issued unqualified opinions on the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information financial statements of Leslie County, Kentucky. In accordance with OMB Circular A-133, we have issued an unqualified opinion on the compliance requirements that are applicable to Leslie County's major federal program for the year ended June 30, 2011.

#### **Financial Condition:**

The fiscal court had net assets of \$17,819,457 as of June 30, 2011, with unrestricted net assets of \$2,175,857 in its governmental activities. In its business-type activities, the county had net assets of \$39,374. As of June 30, 2011, the fiscal court had total debt principal of \$6,690,000 with \$145,000 due within the next year.

#### **Deposits:**

The fiscal court's deposits as of August 31, 2010 were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$3,910,854



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**TICHENOR & ASSOCIATES, LLP**  
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To the People of Kentucky

Honorable Steven L. Beshear, Governor

Lori H. Flanery, Secretary

Finance and Administration Cabinet

Honorable Jimmy Sizemore, Leslie County Judge/Executive

Members of the Leslie County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Leslie County, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Leslie County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Leslie County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Leslie County, Kentucky, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting.

The County has chosen not to present the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit it and express no opinion on it.

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
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Finance and Administration Cabinet  
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Members of the Leslie County Fiscal Court

The county has implemented Governmental Accounting Standards Board Statement 54 as it relates to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Leslie County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. The combining fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated February 21, 2012, on our consideration of Leslie County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully Submitted,

*Tichenor & Associates, LLP*

Tichenor & Associates, LLP  
Certified Public Accountants

February 21, 2012

LESLIE COUNTY OFFICIALS

For The Year Ended June 30, 2011

**Fiscal Court Members:**

Jimmy Sizemore	County Judge/Executive
Kenneth F. Smith	Magistrate
Bonnell Bentley	Magistrate
Bill Valentine	Magistrate
Russell D. Brock	Magistrate

**Other Elected Officials:**

Phillip Lewis	County Attorney
Billy Bowling	Jailer
James Lewis	County Clerk
Carmolitta Morgan Pace	Circuit Court Clerk
Paul Howard	Sheriff
Jimmy Wooton	Property Valuation Administrator
Greg Walker	Coroner

**Appointed Personnel:**

Mack Muncy	County Treasurer
Nancy Roberts	Finance Officer
Serena Asher	Occupational Tax Administrator

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**LESLIE COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2011**



**LESLIE COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2011**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 7,664,776	\$ 39,374	\$ 7,704,150
Total Current Assets	<u>7,664,776</u>	<u>39,374</u>	<u>7,704,150</u>
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation:			
Land and Land Improvements	448,439		448,439
Buildings	10,899,208		10,899,208
Other Equipment	799,721		799,721
Vehicles and Equipment	432,471		432,471
Infrastructure	4,264,842		4,264,842
Total Noncurrent Assets	<u>16,844,681</u>		<u>16,844,681</u>
Total Assets	<u>24,509,457</u>	<u>39,374</u>	<u>24,548,831</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Bonds Payable	135,000		135,000
Financing Obligations Payable	10,000		10,000
Total Current Liabilities	<u>145,000</u>		<u>145,000</u>
Noncurrent Liabilities:			
Bonds Payable	6,110,000		6,110,000
Financing Obligations Payable	435,000		435,000
Total Noncurrent Liabilities	<u>6,545,000</u>		<u>6,545,000</u>
Total Liabilities	<u>6,690,000</u>		<u>6,690,000</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	10,154,681		10,154,681
Restricted			
Protection to Persons and Property	2,691,298		2,691,298
Social Services	956,477		956,477
Roads	1,336,097		1,336,097
Debt Service	505,047		505,047
Unrestricted	2,175,857	39,374	2,215,231
Total Net Assets	<u>\$ 17,819,457</u>	<u>\$ 39,374</u>	<u>\$ 17,858,831</u>

The accompanying notes are an integral part of the financial statements.

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**LESLIE COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2011**

**LESLIE COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2011**

Functions/Programs Reporting Entity	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 1,718,608	\$ 227,460	\$ 907,827	\$ 17,778
Protection to Persons and Property	2,420,487	1,155,027	1,217,265	169,751
General Health and Sanitation	254,696		243,245	
Social Services	888,988		91,169	
Recreation and Culture	491,720			94,002
Roads	1,306,519		3,556,183	
Interest on Long-Term Debt	317,437			
Capital Projects	1,965,629			
Total Governmental Activities	9,364,084	1,382,487	6,015,689	281,531
Business-type Activities:				
Jail Canteen	238,845	222,068		
Total Business-type Activities	238,845	222,068		
Total Primary Government	\$ 9,602,929	\$ 1,604,555	\$ 6,015,689	\$ 281,531

**General Revenues:**

Taxes:

Real Property Taxes  
Personal Property Taxes  
Motor Vehicle Taxes  
Occupational Taxes  
Other Taxes  
In Lieu Tax Payments  
Excess Fees  
Interest  
Miscellaneous Revenues

Total General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

**LESLIE COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2011**  
**(Continued)**

<b>Net (Expenses) Revenues and Changes in Net Assets</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>
\$ (565,543)	\$	\$ (565,543)
121,556		121,556
(11,451)		(11,451)
(797,819)		(797,819)
(397,718)		(397,718)
2,249,664		2,249,664
(317,437)		(317,437)
(1,965,629)		(1,965,629)
(1,684,377)		(1,684,377)
	(16,777)	(16,777)
	(16,777)	(16,777)
(1,684,377)	(16,777)	(1,701,154)
327,200		327,200
117,539		117,539
100,308		100,308
950,881		950,881
512,590		512,590
131,287		131,287
56,293		56,293
23,793		23,793
90,215		90,215
2,310,106		2,310,106
625,729	(16,777)	608,952
17,193,728	56,151	17,249,879
<u>\$ 17,819,457</u>	<u>\$ 39,374</u>	<u>\$ 17,858,831</u>

The accompanying notes are an integral part of the financial statements.

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**LESLIE COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2011**

**LESLIE COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2011**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Local Government Economic Assistance Fund</b>	<b>Local Government Economic Development Fund</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 563,004	\$ 1,336,097	\$ 328,181	\$ 394,691	\$ 2,160,578
Total Assets	<u>563,004</u>	<u>1,336,097</u>	<u>328,181</u>	<u>394,691</u>	<u>2,160,578</u>
<b>FUND BALANCES</b>					
<b>Restricted For:</b>					
Protection to Persons and Property					1,204,101
Social Services					956,477
Roads		1,336,097			
Debt Service					
<b>Committed To:</b>					
Debt Service					
<b>Assigned To:</b>					
Protection to Persons and Property			328,181	56,061	
Social Services				170,151	
Recreation and Culture				89,187	
Roads				79,292	
<b>Unassigned:</b>	<u>563,004</u>				
Total Fund Balances	<u>\$ 563,004</u>	<u>\$ 1,336,097</u>	<u>\$ 328,181</u>	<u>\$ 394,691</u>	<u>\$ 2,160,578</u>

The accompanying notes are an integral part of the financial statements.

**LESLIE COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**June 30, 2011**  
**(Continued)**

<b>Flood Relief Fund</b>	<b>Debt Service Fund</b>	<b>Detention Facility Project Fund</b>	<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
\$ 1,434,538	\$ 515,855	\$ 505,047	\$ 426,785	\$ 7,664,776
<u>1,434,538</u>	<u>515,855</u>	<u>505,047</u>	<u>426,785</u>	<u>7,664,776</u>
1,434,538				2,638,639
			52,659	1,009,136
				1,336,097
		505,047		505,047
	515,855			515,855
			374,126	758,368
				170,151
				89,187
				79,292
				<u>563,004</u>
<u>\$ 1,434,538</u>	<u>\$ 515,855</u>	<u>\$ 505,047</u>	<u>\$ 426,785</u>	<u>\$ 7,664,776</u>

**Reconciliation of the Balance Sheet - Governmental Funds To The Statement Of Net Assets**

Total Fund Balances	\$ 7,664,776
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	20,625,844
Accumulated Depreciation	(3,781,163)
Long-Term Debt Is Not Due And Payable In The Current Period And, Therefore, Is Not Reported In The Funds.	
Financing Obligations	(445,000)
Bonds	<u>(6,245,000)</u>
Net Assets Of Governmental Activities	<u>\$17,819,457</u>

The accompanying notes are an integral part of the financial statements.

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**LESLIE COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2011**

**LESLIE COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2011**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Local Government Economic Assistance Fund</b>	<b>Local Government Economic Development Fund</b>
<b>REVENUES</b>					
Taxes	\$ 867,348	\$	\$	\$	\$
In Lieu Tax Payments		131,287			
Excess Fees	56,293				
License and Permits	100,375				
Intergovernmental	237,833	1,482,815	1,191,983	1,762,180	2,424,883
Charges for Services	5,603		17,919		
Miscellaneous	48,771	4,465	69,023	210	
Interest	918	1,803	409	659	2,384
Total Revenues	<u>1,317,141</u>	<u>1,620,370</u>	<u>1,279,334</u>	<u>1,763,049</u>	<u>2,427,267</u>
<b>EXPENDITURES</b>					
General Government	759,370			18,479	
Protection to Persons and Property	5,658		1,479,160	134,513	
General Health and Sanitation				103,203	151,493
Social Services				693,027	
Recreation and Culture	3,555			342,925	
Roads		2,018,126		316,395	
Debt Service			31,945		
Capital Projects					1,965,629
Administration	<u>759,707</u>	<u>248,346</u>	<u>356,845</u>	<u>392,314</u>	
Total Expenditures	<u>1,528,290</u>	<u>2,266,472</u>	<u>1,867,950</u>	<u>2,000,856</u>	<u>2,117,122</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(211,149)</u>	<u>(646,102)</u>	<u>(588,616)</u>	<u>(237,807)</u>	<u>310,145</u>
<b>Other Financing Sources (Uses)</b>					
Transfers From Other Funds		1,004,613	1,050,490	523,643	4,823
Transfers To Other Funds	<u>(4,823)</u>		<u>(418,045)</u>	<u>(270,101)</u>	<u>(1,266,642)</u>
Total Other Financing Sources (Uses)	<u>(4,823)</u>	<u>1,004,613</u>	<u>632,445</u>	<u>253,542</u>	<u>(1,261,819)</u>
Net Changes in Fund Balance	(215,972)	358,511	43,829	15,735	(951,674)
Fund Balances - Beginning (Restated)	<u>778,976</u>	<u>977,586</u>	<u>284,352</u>	<u>378,956</u>	<u>3,112,252</u>
Fund Balances - Ending	<u>\$ 563,004</u>	<u>\$ 1,336,097</u>	<u>\$ 328,181</u>	<u>\$ 394,691</u>	<u>\$ 2,160,578</u>

The accompanying notes are an integral part of the financial statements.

## LESLIE COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

(Continued)

<b>Flood Relief Fund</b>	<b>Debt Service Fund</b>	<b>Detention Facility Project Fund</b>	<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
\$	\$ 950,881	\$	\$ 187,937	\$ 2,006,166
				131,287
				56,293
				100,375
311,188	143		106,169	7,517,194
				23,522
	8,714			131,183
2,072	672	14,457	419	23,793
313,260	960,410	14,457	294,525	9,989,813
	81,878		15,000	874,727
			239,360	1,858,691
				254,696
			105,749	798,776
				346,480
				2,334,521
		425,492		457,437
				1,965,629
	116,719		77,011	1,950,942
	198,597	425,492	437,120	10,841,899
313,260	761,813	(411,035)	(142,595)	(852,086)
		418,045	300,000	3,301,614
(721,512)	(618,258)	(2,233)		(3,301,614)
(721,512)	(618,258)	415,812	300,000	
(408,252)	143,555	4,777	157,405	(852,086)
1,842,790	372,300	500,270	269,380	8,516,862
\$ 1,434,538	\$ 515,855	\$ 505,047	\$ 426,785	\$ 7,664,776

The accompanying notes are an integral part of the financial statements.

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**LESLIE COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2011**



**LESLIE COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2011**

**Reconciliation to the Statement of Activities:**

Net Change In Fund Balances - Total Governmental Funds \$ (852,086)

Governmental Funds Report Capital Outlays As Expenditures. However, In The Statement Of Activities The Cost Of Those Assets Are Allocated Over Their Estimated Useful Lives And Reported As Depreciation Expense.

Capital Outlay 1,908,373

Depreciation Expense (566,558)

Net Book Value of Disposed Assets (4,000)

The Issuance Of Long-term Debt (e.g. Bonds, Financing Obligations) Provides Current Financial Resources To Governmental Funds, While Debt Principal Payments Are Expensed In The Governmental Funds As A Use Of Current Financial Resources. These Transactions, However, Have No Effect On Net Assets And Have Been Eliminated On The Statement Of Activities.

Bond Principal Payments 130,000

Financing Obligation Principal Payments 10,000

Change in Net Assets of Governmental Activities \$ 625,729

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**LESLIE COUNTY**  
**STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS - MODIFIED CASH BASIS**  
**June 30, 2011**



**LESLIE COUNTY**  
**STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS - MODIFIED CASH BASIS**

**June 30, 2011**

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 39,374
Total Assets	<u>39,374</u>
<b>Net Assets</b>	
Unrestricted	<u>39,374</u>
Total Net Assets	<u><u>\$ 39,374</u></u>

The accompanying notes are an integral part of the financial statements.

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**LESLIE COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2011**



**LESLIE COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2011**

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Operating Revenues</b>	
Canteen Receipts	\$ 222,068
Total Operating Revenues	<u>222,068</u>
<b>Operating Expenses</b>	
Cost of Sales	120,374
Inmate Benefits	96,772
Inmate Refunds	20,256
Miscellaneous	<u>1,443</u>
Total Operating Expenses	<u>238,845</u>
Operating Income (Loss)	<u>(16,777)</u>
Change In Net Assets	(16,777)
Total Net Assets - Beginning	<u>56,151</u>
Total Net Assets - Ending	<u><u>\$ 39,374</u></u>

The accompanying notes are an integral part of the financial statements.

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**LESLIE COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2011**



**LESLIE COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2011**

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Cash Flows from Operating Activities</b>	
Cash Receipts from Customers	\$ 222,068
Cash Payments For Goods and Services	(120,374)
Cash Payments For Inmate Benefits	(96,772)
Cash Payments For Inmate Refunds	(20,256)
Cash Payments For Miscellaneous	(1,443)
Net Cash Provided (Used) by Operating Activities	<u>(16,777)</u>
Net Increase in Cash and Cash Equivalents	(16,777)
Cash and Cash Equivalents - July 1, 2010	<u>56,151</u>
Cash and Cash Equivalents - June 30, 2011	<u><u>\$ 39,374</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>	
<u>Operating Income (Loss)</u>	<u>\$ (16,777)</u>
Total Cash Provided (Used) by Operating Activities	<u><u>\$ (16,777)</u></u>

The accompanying notes are an integral part of the financial statements.

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**LESLIE COUNTY**  
**STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2011**



**LESLIE COUNTY**  
**STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2011**

	<u>Agency Fund</u> Health Reimbursement <u>Account</u>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$       168,156
	<u>168,156</u>
Total Assets	<u>168,156</u>
<b>LIABILITIES</b>	
Amounts Held In Custody For Others	<u>168,156</u>
Total Liabilities	<u>168,156</u>
<b>NET ASSETS</b>	
Total Net Assets	<u><u>\$           0</u></u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENTS**

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**LESLIE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets, among other items, are not reflected in the financial statements.

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Leslie County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. The county has no discretely presented component units.

**Blended Component Unit**

The following legally separate organization provided its services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

Leslie County Public Properties Corporation - Detention Facility Project Fund

**LESLIE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**B. Reporting Entity (Continued)**

The Leslie County Fiscal Court (Fiscal Court) established the Leslie County Public Properties Corporation (Corporation) as a separate entity for the purpose of financing the construction and installation of public projects in furtherance of the proper public purposes of Leslie County. The Corporation's governing body consists of the members of the Fiscal Court, which includes the Leslie County Judge/Executive and the four magistrates and has perpetual existence. Since the Fiscal Court has complete authority over this entity it is a component unit of the county. The financial information for the Leslie County Public Properties Corporation is blended within the Leslie County's financial statements.

**C. Leslie County Elected Officials**

Kentucky law provides for election of the officials below from the geographic area constituting Leslie County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Leslie County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**D. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for good or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

**LESLIE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-Wide and Fund Financial Statements (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are a least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

**Governmental Funds**

The primary government reports the following major governmental funds:

**General Fund** - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

**Road Fund** - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

**Jail Fund** - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

**Local Government Economic Assistance Fund** - The primary purpose of this fund is to account for general health and sanitation, social services and economic assistance expenses of the county. The primary sources of revenue are state grants, coal and mineral severances taxes, landfill user fees, and recreational area user fees. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

**LESLIE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-Wide and Fund Financial Statements (Continued)**

Local Government Economic Development Fund - The purpose of this fund is to account for projects funded by Local Government Economic Development funds. The primary sources of revenue are grants received from the Department for Local Government.

Flood Relief Fund - The purpose of this fund is to account for flood repairs funded by the Federal Emergency Management Agency.

Debt Service Fund- The purpose of this fund is to account for the activities of the Leslie County Public Properties Corporation, a blended component unit of the county. This fund also accounts for occupational tax receipts of the government.

Public Properties Corporation Fund - Detention Facility Project Fund - The purpose of this fund is to account for the construction and related debt service requirements of the new detention center.

The primary government also has the following non-major funds: Senior Citizens Fund, E911 Fund and the CDBG Fund.

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund (LGEA), Local Government Economic Development Fund, Flood Relief Fund, Senior Citizens Fund, E911 Fund and CDBG Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Debt Service Funds:

The Debt Service Fund and the Detention Facility Project Fund are presented as debt service funds. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

**LESLIE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-Wide and Fund Financial Statements (Continued)**

**Fiduciary Fund**

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments and cannot be used to support the government's own programs. When these assets are held under the terms of a formal trust agreement, pension trust funds, investment trust funds, private-purpose trust funds, and agency funds are used.

The primary government reports the following fiduciary fund as an agency fund:

Health Reimbursement Account - To account for county contributions to individual health accounts maintained for each employee.

**E. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**F. Capital Assets**

Capital assets, which include land, land improvements, buildings, other equipment, vehicles and equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land, construction in progress and certain land improvements are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 50,000	10-20
Land	All	
Buildings	All	25-40
Other Equipment	\$ 5,000	5-20
Vehicles and Equipment	\$ 5,000	5-10
Infrastructure	\$ 50,000	5-50

**LESLIE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**G. Long-term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**H. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into non-spendable and spendable components, if applicable.

Non-spendable includes amounts that must be maintained intact legally or contractually.

Spendable include the following:

- Restricted-amounts constrained for a specific purpose by external parties, constitutional provisions, or enabling legislation.
- Committed-amounts constrained for a specific purpose by the county using its highest level of decision making authority.
- Assigned-for all governmental funds, other than general fund, any remaining positive amounts not classified as non-spendable, restricted, or committed. For the general fund, amounts constrained by intent to be used for a specified purpose by the County or the delegated county committee or official given authority to assign amounts.
- Unassigned-for the general fund, amounts not classified as non-spendable, restricted, committed or assigned. For all other governmental funds, amount expended in excess of resources that are non-spendable, restricted, committed or assigned.

For resources considered committed, the County issues an ordinance or resolution that can only be changed with another corresponding ordinance or resolution.

For resources considered assigned, the County has designated the County Treasurer to carry out the intent of the fiscal court.

It is the policy of the County to spend restricted resources first, when both restricted and unrestricted resources are available to spend on the activity. Once restricted resources are exhausted, then committed, assigned and unassigned resources will be spent in that order on the activity.

**LESLIE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**H. Fund Equity (Continued)**

Encumbrances, although not reported on the balance sheet, are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Due to the modified cash basis of accounting, encumbrances can also include invoices for goods or services received at June 30, but not yet paid and not included as an accounts payable. Significant encumbrances at year end are reported by major funds and non-major funds in the aggregate and included with the commitments and contingencies note disclosure, if applicable.

**I. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The Leslie County Detention Facility Project Fund and the Health Reimbursement Account are not budgeted by the county treasurer. The Department for Local Government does not require the fiscal court to report or budget these funds.

**J. Related Organizations and Joint Ventures**

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, Hyden-Leslie County Water and Sewer District, Extension District, Library District, and Health District are considered related organizations of Leslie County Fiscal Court.

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the Elk Hill-Leslie Industrial Development Authority, Hyden-Leslie Industrial Development Authority, and the Clay-Leslie Industrial Authority are considered joint ventures of the Leslie County Fiscal Court.

**LESLIE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 2. Deposits**

The County maintains deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a depository institution's failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240 (4). As of August 31, 2010, \$3,910,854 of the primary government's public funds was exposed to custodial risk because the bank did not adequately collateralize the primary government's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured \$3,910,854



**LESLIE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 3. Capital Assets**

Capital asset activity for the year ended June 30, 2011 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Primary Government:</b>				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 366,800	\$	\$	\$ 366,800
Total Capital Assets Not Being Depreciated	366,800			366,800
Capital Assets, Being Depreciated:				
Land Improvements	116,631			116,631
Buildings	12,643,091	270,556		12,913,647
Other Equipment	1,544,269	124,112		1,668,381
Vehicles and Equipment	889,831	101,134	(24,995)	965,970
Infrastructure	3,181,844	1,412,571		4,594,415
Total Capital Assets Being Depreciated	18,375,666	1,908,373	(24,995)	20,259,044
Less Accumulated Depreciation For:				
Land Improvements	(29,160)	(5,832)		(34,992)
Buildings	(1,761,881)	(252,558)		(2,014,439)
Other Equipment	(756,454)	(112,206)		(868,660)
Vehicles and Equipment	(456,182)	(98,312)	20,995	(533,499)
Infrastructure	(231,923)	(97,650)		(329,573)
Total Accumulated Depreciation	(3,235,600)	(566,558)	20,995	(3,781,163)
Total Capital Assets, Being Depreciated, Net	15,140,066	1,341,815	(4,000)	16,477,881
Governmental Activities Capital Assets, Net	\$ 15,506,866	\$ 1,341,815	\$ (4,000)	\$ 16,844,681

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 14,089
Protection to Persons and Property	203,010
Social Services	90,212
Recreation and Culture	23,482
Roads, Including Depreciation of General Infrastructure Assets	235,765
Total Depreciation Expense - Governmental Activities	<u>\$ 566,558</u>

**LESLIE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 4. Long-term Debt**

**A. Leslie County Public Properties Corporation General Obligation Improvement Bonds, Series 2005**

On December 27, 2005 the Leslie County Public Properties Corporation issued \$5,450,000 General Obligation Improvement Bonds, Series 2005 for the purpose of constructing a detention center. The bonds mature serially through December 1, 2035 and require annual principal payments due on December 1 with the first payment due December 1, 2007. Semi-annual payments of interest at an interest rate of 4.625% are due on June 1 and December 1 of each year with the first payment due June 1, 2007. Bonds outstanding as of June 30, 2011 were \$5,055,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2012	\$ 110,000	\$ 235,450
2013	115,000	230,247
2014	120,000	224,813
2015	125,000	219,147
2016	130,000	213,250
2017-2021	745,000	968,547
2022-2026	940,000	773,094
2027-2031	1,210,000	519,650
2032-2036	1,560,000	193,088
Totals	<u>\$ 5,055,000</u>	<u>\$ 3,577,286</u>

**B. Kentucky Area Development Districts (KADD) Financing Trust - Jail Construction Project**

On October 6, 2005, the Leslie County Fiscal Court entered into an agreement with KADD Financing Trust for the construction of a new detention facility. Total principal was \$495,000 and requires annual principal payments due on October 1 beginning on October 1, 2007 for a period of thirty years. Interest payments are due semi-annually at a variable interest rate of 3.400 % and 5.000% due on April 1 and October 1 beginning on April 1 2007 for a period of thirty years. Principal outstanding as of June 30, 2011 was \$445,000. Future principal and interest requirements are:

**LESLIE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 4. Long-term Debt (Continued)**

**B. Kentucky Area Development Districts (KADD) Financing Trust - Jail Construction Project**  
**(Continued)**

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2012	\$ 10,000	\$ 21,515
2013	10,000	21,065
2014	10,000	20,615
2015	10,000	20,165
2016	10,000	19,715
2017-2021	70,000	89,613
2011-2026	85,000	71,148
2027-2031	105,000	47,375
2032-2036	135,000	17,625
Totals	<u>\$ 445,000</u>	<u>\$ 328,836</u>

**C. Leslie County Public Properties Corporation General Obligation Improvement Bonds, Series 2006**

On November 15, 2006 the Leslie County Public Properties Corporation issued \$1,280,000 General Obligation Improvement Bonds, Series 2006 for the purpose of constructing a detention center. The bonds mature serially through December 1, 2035 and require annual principal payments due on December 1 with the first payment due December 1, 2008. Semi-annual payments of interest at a variable interest rate between 4.0% to 4.70% are due on June 1 and December 1 of each year with the first payment due June 1, 2007. Bonds outstanding as of June 30, 2011 were \$1,190,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2012	\$ 25,000	\$ 54,070
2013	25,000	53,033
2014	30,000	51,850
2015	30,000	50,560
2016	30,000	49,270
2017-2021	175,000	224,607
2022-2026	225,000	179,094
2027-2031	285,000	120,534
2032-2036	365,000	44,532
Totals	<u>\$ 1,190,000</u>	<u>\$ 827,550</u>

**LESLIE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 4. Long-term Debt (Continued)**

**D. Changes In Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<u>Governmental Activities:</u>					
General Obligation Bonds:					
Improvement	\$ 6,375,000	\$	\$ 130,000	\$ 6,245,000	\$ 135,000
Financing Obligations	455,000		10,000	445,000	10,000
Governmental Activities					
Long-term Liabilities	<u>\$ 6,830,000</u>	<u>\$ 0</u>	<u>\$ 140,000</u>	<u>\$ 6,690,000</u>	<u>\$ 145,000</u>

**Note 5. Employee Retirement System**

The Fiscal Court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.93 percent.

The county's contribution for FY 2009 was \$295,859, FY 2010 was \$435,006, and FY 2011 was \$378,691.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participate on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

**LESLIE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 5. Employee Retirement System (Continued)**

<b>Years of Service</b>	<b>% Paid by Insurance Fund</b>	<b>% Paid by Member through Payroll Deduction</b>
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

**Note 6. Insurance**

For the fiscal year ended June 30, 2011, Leslie County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 7. Health Reimbursement Account**

All Leslie County employees who meet the requirements of the Personnel Policy for eligibility for health insurance as provided by the fiscal court are allotted \$2,000 per year in a health reimbursement account to help offset higher health insurance deductibles, co-pays, and other expenses. This account was opened June 30, 2009 in order for coverage to begin with the 2009-2010 fiscal year starting on July 1, 2009.

**Note 8. Deferred Compensation**

The Leslie County Fiscal Court participated in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

**LESLIE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 8. Deferred Compensation (Continued)**

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

**Note 9. Interfund Transfers**

The table below shows the interfund transfers for fiscal year 2011.

Transfers In	Transfers Out						Transfers Out
	Road Fund	Jail Fund	Local Government Economic Assistance Fund	Local Government Economic Development Fund	Detention Facility Project Fund	Non-Major Fund	
General Fund	\$	\$	\$	\$ 4,823	\$	\$	\$ 4,823
Jail Fund					418,045		418,045
LGEA Fund	270,101						270,101
LGED Fund	13,000	500,000	453,642			300,000	1,266,642
Flood Relief Fund	721,512						721,512
Debt Service Fund		548,258	70,000				618,258
Detention Facility Project Fund		2,233					2,233
Total Transfers In	\$ 1,004,613	\$ 1,050,491	\$ 523,642	\$ 4,823	\$ 418,045	\$ 300,000	\$ 3,301,614

Reason for transfers:

- 1) To move resources, for budgetary purposes, to the fund that will expend them.

**Note 10. Change in Accounting Principles**

The Leslie County Fiscal Court implemented a new accounting standard, Governmental Accounting Standards Board (GASB) Statement 54, Fund Balance Reporting and Governmental Fund Type definitions which has altered the classifications of fund balance on the Balance Sheet - Government Funds.

**Note 11. Commitments**

As of June 30, 2011, the Leslie County Fiscal Court has the following significant encumbrances by fund and amounts.

<u>Fund</u>	<u>Amount</u>
General	\$ 38,783
Road	75,768
Jail	62,555
LGEA	60,752
Senior Citizens	10,749

**LESLIE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 12. Prior Period Adjustments**

Beginning Fund Balance for the General Fund has been restated for the prior year due to eliminating the payable to the General Fund. The effect of this change is an increase of \$92,710.

Beginning Fund Balance for the Debt Service Fund has been restated for the prior year to record the payment of the payable to the LGEA Fund. The effect of this change is a decrease of \$92,710.

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**LESLIE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2011**



**LESLIE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2011**

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 833,100	\$ 833,100	\$ 867,348	\$ 34,248
In Lieu Tax Payments	54,000	54,000		(54,000)
Excess Fees	50,000	50,000	56,293	6,293
License and Permits	95,715	95,715	100,375	4,660
Intergovernmental Revenue	170,750	246,160	237,833	(8,327)
Charges for Services	3,000	3,000	5,603	2,603
Miscellaneous	52,350	53,905	48,771	(5,134)
Interest	1,300	1,300	918	(382)
Total Revenues	1,260,215	1,337,180	1,317,141	(20,039)
<b>EXPENDITURES</b>				
General Government	697,886	828,790	759,370	69,420
Protection to Persons and Property	4,000	5,659	5,658	1
Recreation and Culture	16,000	16,000	3,555	12,445
Administration	942,329	905,653	759,707	145,946
Total Expenditures	1,660,215	1,756,102	1,528,290	227,812
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(400,000)	(418,922)	(211,149)	207,773
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers To Other Funds			(4,823)	(4,823)
Total Other Financing Sources (Uses)			(4,823)	(4,823)
Net Changes in Fund Balance	(400,000)	(418,922)	(215,972)	202,950
Fund Balance - Beginning (Restated)	400,000	400,000	778,976	378,976
Fund Balance - Ending	\$ 0	\$ (18,922)	\$ 563,004	\$ 581,926

**LESLIE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2011**  
**(Continued)**

	<b>ROAD FUND</b>			
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts,</u> <u>(Budgetary</u>	<u>Final Budget</u>
			<u>Basis)</u>	<u>Positive</u>
				<u>(Negative)</u>
<b>REVENUES</b>				
In Lieu Tax Payments	\$ 183,333	\$ 183,333	\$ 131,287	\$ (52,046)
Intergovernmental Revenue	1,207,653	1,471,473	1,482,815	11,342
Miscellaneous	200	4,033	4,465	432
Interest	3,100	3,100	1,803	(1,297)
Total Revenues	<u>1,394,286</u>	<u>1,661,939</u>	<u>1,620,370</u>	<u>(41,569)</u>
<b>EXPENDITURES</b>				
Roads	1,121,477	2,137,348	2,018,126	119,222
Administration	1,072,809	1,059,103	248,346	810,757
Total Expenditures	<u>2,194,286</u>	<u>3,196,451</u>	<u>2,266,472</u>	<u>929,979</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(800,000)</u>	<u>(1,534,512)</u>	<u>(646,102)</u>	<u>888,410</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer From Other Funds			1,004,613	1,004,613
Total Other Financing Sources (Uses)			<u>1,004,613</u>	<u>1,004,613</u>
Net Changes in Fund Balance	(800,000)	(1,534,512)	358,511	1,893,023
Fund Balance - Beginning	<u>800,000</u>	<u>800,000</u>	<u>977,586</u>	<u>177,586</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (734,512)</u>	<u>\$ 1,336,097</u>	<u>\$ 2,070,609</u>

**LESLIE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2011**  
**(Continued)**

	<b>JAIL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 1,317,870	\$ 1,317,870	\$ 1,191,983	\$ (125,887)
Charges for Services	9,000	9,000	17,919	8,919
Miscellaneous	30,250	43,750	69,023	25,273
Interest	500	500	409	(91)
Total Revenues	<u>1,357,620</u>	<u>1,371,120</u>	<u>1,279,334</u>	<u>(91,786)</u>
<b>EXPENDITURES</b>				
Protection to Persons and Property	1,484,500	1,733,805	1,479,160	254,645
Debt Service	457,437	457,937	449,990	7,947
Administration	623,120	386,815	356,845	29,970
Total Expenditures	<u>2,565,057</u>	<u>2,578,557</u>	<u>2,285,995</u>	<u>292,562</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(1,207,437)</u>	<u>(1,207,437)</u>	<u>(1,006,661)</u>	<u>200,776</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	<u>957,437</u>	<u>957,437</u>	<u>1,050,490</u>	<u>93,053</u>
Total Other Financing Sources (Uses)	<u>957,437</u>	<u>957,437</u>	<u>1,050,490</u>	<u>93,053</u>
Net Changes in Fund Balance	(250,000)	(250,000)	43,829	293,829
Fund Balance - Beginning	<u>250,000</u>	<u>250,000</u>	<u>284,352</u>	<u>34,352</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 328,181</u>	<u>\$ 328,181</u>

**LESLIE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2011**  
**(Continued)**

**LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 1,679,177	\$ 1,679,177	\$ 1,762,180	\$ 83,003
Miscellaneous	100	100	210	110
Interest	885	885	659	(226)
Total Revenues	1,680,162	1,680,162	1,763,049	82,887
<b>EXPENDITURES</b>				
General Government	20,977	20,977	18,479	2,498
Protection to Persons and Property	142,410	145,423	134,513	10,910
General Health and Sanitation	79,250	104,498	103,203	1,295
Social Services	676,820	760,302	693,027	67,275
Recreation and Culture	254,759	372,016	342,925	29,091
Roads	350,000	422,669	316,395	106,274
Administration	855,946	622,395	392,314	230,081
Total Expenditures	2,380,162	2,448,280	2,000,856	447,424
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(700,000)	(768,118)	(237,807)	530,311
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	550,000	550,000	523,643	(26,357)
Transfers To Other Funds			(270,101)	(270,101)
Total Other Financing Sources (Uses)	550,000	550,000	253,542	(296,458)
Net Changes in Fund Balance	(150,000)	(218,118)	15,735	233,853
Fund Balance - Beginning	150,000	150,000	378,956	228,956
Fund Balance - Ending	\$ 0	\$ (68,118)	\$ 394,691	\$ 462,809

**LESLIE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2011**  
**(Continued)**

**LOCAL GOVERNMENT ECONOMIC DEVELOPMENT FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 560,000	\$ 2,874,882	\$ 2,424,883	\$ (449,999)
Interest			2,384	2,384
Total Revenues	560,000	2,874,882	2,427,267	(447,615)
<b>EXPENDITURES</b>				
General Health and Sanitation	164,011	343,816	151,493	192,323
Social Services	25,000	25,000		25,000
Capital Projects	1,975,711	4,040,667	1,965,629	2,075,038
Administration	319,258	319,258		319,258
Total Expenditures	2,483,980	4,728,741	2,117,122	2,611,619
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(1,923,980)	(1,853,859)	310,145	2,164,004
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds			4,823	4,823
Transfers To Other Funds	(1,200,000)	(1,200,000)	(1,266,642)	(66,642)
Total Other Financing Sources (Uses)	(1,200,000)	(1,200,000)	(1,261,819)	(61,819)
Net Changes in Fund Balance	(3,123,980)	(3,053,859)	(951,674)	2,102,185
Fund Balance - Beginning	3,123,980	3,123,980	3,112,252	(11,728)
Fund Balance - Ending	\$ 0	\$ 70,121	\$ 2,160,578	\$ 2,090,457

**LESLIE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2011**  
**(Continued)**

<b>FLOOD RELIEF FUND</b>				
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental Revenue	\$	\$ 305,552	\$ 311,188	\$ 5,636
Interest			2,072	2,072
Total Revenues		305,552	313,260	7,708
<b>EXPENDITURES</b>				
Administration	1,812,875	1,366,996		1,366,996
Total Expenditures	1,812,875	1,366,996		1,366,996
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(1,812,875)	(1,061,444)	313,260	1,374,704
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers To Other Funds			(721,512)	(721,512)
Total Other Financing Sources (Uses)			(721,512)	(721,512)
Net Changes in Fund Balance	(1,812,875)	(1,061,444)	(408,252)	653,192
Fund Balance - Beginning	1,812,875	1,812,875	1,842,791	29,916
Fund Balance - Ending	\$ 0	\$ 751,431	\$ 1,434,539	\$ 683,108



**LESLIE COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2011**

**Note 1. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The Department for Local Government does not require the county to budget the Public Properties Corporation or the Detention Facility Project Fund.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by June 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**Note 2. Reconciliation of Required Supplementary Information to Statement of Revenues, Expenditures, and Changes in Fund Balances.**

Following is a summary of adjustments that convert the cash basis budgetary schedules to the modified cash basis of accounting used in the Statement of Revenues, Expenditures, and Changes in Fund Balances

**Jail Fund:**

Budgetary Basis - Expenditures	\$ 2,285,995
Minus: Transfer to Detention Center Project Fund for	
Debt Service	(418,045)
Modified Cash Basis	<u>\$ 1,867,950</u>
Budgetary Basis - Other Financing Sources (Uses)	\$ 1,050,490
Minus: Transfer to Detention Center Project Fund for	
Debt Service	(418,045)
Modified Cash Basis	<u>\$ 632,445</u>

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**LESLIE COUNTY**  
**COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS -**  
**MODIFIED CASH BASIS**

**Other Supplementary Information**

**June 30, 2011**



**LESLIE COUNTY**  
**COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS -**  
**MODIFIED CASH BASIS**  
**Other Supplementary Information**

**June 30, 2011**

	<b>Senior Citizens Fund</b>	<b>911 Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 52,659	\$ 374,126	\$ 426,785
Total Assets	<u>52,659</u>	<u>374,126</u>	<u>426,785</u>
<b>FUND BALANCES</b>			
<b>Restricted For:</b>			
Social Services	52,659		52,659
<b>Assigned To:</b>			
Protection to Persons and Property	<u>                    </u>	<u>374,126</u>	<u>374,126</u>
Total Fund Balances	<u>\$ 52,659</u>	<u>\$ 374,126</u>	<u>\$ 426,785</u>

The accompanying notes are an integral part of the financial statements.

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**LESLIE COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2011**





**LESLIE COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2011**

	<b>Senior Citizens Fund</b>	<b>E911 Fund</b>	<b>CDBG Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>REVENUES</b>				
Taxes	\$	\$ 187,937	\$	\$ 187,937
Intergovernmental	91,169		15,000	106,169
Interest		419		419
Total Revenues	<u>91,169</u>	<u>188,356</u>	<u>15,000</u>	<u>294,525</u>
<b>EXPENDITURES</b>				
General Government			15,000	15,000
Protection to Persons and Property		239,360		239,360
Social Services	105,749			105,749
Administration		77,011		77,011
Total Expenditures	<u>105,749</u>	<u>316,371</u>	<u>15,000</u>	<u>437,120</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(14,580)</u>	<u>(128,015)</u>		<u>(142,595)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds		300,000		300,000
Total Other Financing Sources (Uses)		<u>300,000</u>		<u>300,000</u>
Net Changes in Fund Balances	(14,580)	171,985		157,405
Fund Balances - Beginning	<u>67,239</u>	<u>202,141</u>		<u>269,380</u>
Fund Balances - Ending	<u>\$ 52,659</u>	<u>\$ 374,126</u>	<u>\$ 0</u>	<u>\$ 426,785</u>

The accompanying notes are an integral part of the financial statements.

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**LESLIE COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Other Supplementary Information**



**LESLIE COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Fiscal Year Ended June 30, 2011**

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<b><u>U.S. Department of Agriculture</u></b>		
Administered by the Natural Resources Conservation Service		
Emergency Watershed Protection Program:		
Lower Bad Creek Debris Removal (CFDA #10.923)	68-5C16-10-057	\$ 20,674
Salt Well Creek Debris Removal (CFDA #10.923)	68-5C16-10-133	40,157
Total U.S. Department of Agriculture		<u>60,831</u>
<b><u>U.S. Election Assistance Commission</u></b>		
Passed - Through the Kentucky State Board of Elections		
Help America Vote Act (CFDA #90.401)	Unknown	71,210
Total U.S. Election Assistance Commission		<u>71,210</u>
<b><u>U.S. Department of Commerce</u></b>		
Administered by the National Oceanic and Atmospheric Administration		
Congressionally Identified Awards and Projects		
PRIDE Grant (CFDA #11.469)	SC10-52	4,500
PRIDE Grant (CFDA #11.469)	SC11-52	7,500
Total U.S. Department of Commerce		<u>12,000</u>

**LESLIE COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Fiscal Year Ended June 30, 2011**  
**(Continued)**

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<b><u>U.S. Department of Health &amp; Human Services</u></b>		
Passed - Through Kentucky River Area Development District:		
Special Programs for the Aging Title III, Part D Disease Prevention and Health Promotion Services (CFDA #93.043)	Unknown	\$ 17,958
Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers (CFDA #93.044)	Unknown	17,958
Special Programs for the Aging Title III, Part C Nutrition Services (CFDA #93.045)	Unknown	17,958
Nutrition Services Incentive Program (CFDA #93.053)	Unknown	37,296
Total U.S. Department of Health & Human Services		<u>91,170</u>
<b><u>U.S. Department of Homeland Security</u></b>		
Passed - Through Kentucky Department of Military Affairs Division of Emergency Management:		
Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA #97.036) *	FEMA-1841-DR-KY	130,296
Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA #97.036) *	FEMA-1912-DR-KY	208,492
Homeland Security Grant Program (CFDA #97.067)	Unknown	18,587
Total U.S. Department of Homeland Security		<u>357,375</u>
<b><u>U.S. Department of Housing and Urban Development</u></b>		
Passed - Through the State Department for Local Government		
Community Development Block Grant/State's Program (CFDA #14.228)	09-050	15,000
Total U.S. Department of Housing and Urban Development		<u>15,000</u>
Total Expenditures of Federal Awards		<u>\$ 607,586</u>

\* *Tested as Major Program*

**LESLIE COUNTY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Fiscal Year Ended June 30, 2011**

Note 1 - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Leslie County, Kentucky and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



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The Honorable Jimmy Sizemore, Leslie County Judge/Executive  
Members of the Leslie County Fiscal Court

## Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Leslie County, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated February 21, 2012. Leslie County presents its financial statements on the modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

Management of the Leslie County Fiscal Court is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Leslie County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Leslie County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Leslie County's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Report On Internal Control Over Financial Reporting  
And On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Leslie County's financial statements as of and for the year ended June 30, 2011, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

*Tichenor & Associates, LLP*

Tichenor & Associates, LLP  
Certified Public Accountants

February 21, 2012

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**



**TICHENOR & ASSOCIATES, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS and MANAGEMENT CONSULTANTS

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The Honorable Jimmy Sizemore, Leslie County Judge/Executive  
Members of the Leslie County Fiscal Court

Report On Compliance With Requirements  
That Could Have A Direct And Material Effect On Each Major Program  
And On Internal Control Over Compliance In Accordance With OMB Circular A-133

Independent Auditor's Report

Compliance

We have audited the compliance of Leslie County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2011. Leslie County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Leslie County's management. Our responsibility is to express an opinion on Leslie County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Leslie County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Leslie County's compliance with those requirements.

In our opinion, Leslie County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of Leslie County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Leslie County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Leslie County's internal control over compliance.

Report On Compliance With Requirements  
That Could Have A Direct And Material Effect On Each Major Program  
And On Internal Control Over Compliance In Accordance With OMB Circular A-133  
(Continued)

Internal Control Over Compliance (Continued)

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

*Tichenor & Associates, LLP*

Tichenor & Associates, LLP  
Certified Public Accountants

February 21, 2012



**LESLIE COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2011**



**LESLIE COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Fiscal Year Ended June 30, 2011**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses unqualified opinions on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Leslie County.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditor's Report.
3. No instances of noncompliance material to the financial statements of Leslie County were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Leslie County expresses an unqualified opinion.
6. There are no findings relative to the major federal awards programs for Leslie County reported in Part C of this schedule.
7. The program tested as a major program was: U.S. Department of Homeland Security – Disaster Grants – Public Assistance (Presidentially Declared Disasters) - CFDA #97.036.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Leslie County was not determined to be a low-risk auditee.

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

None.

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

None.

**D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

None.

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**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS**

**LESLIE COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2011**

**Appendix A**

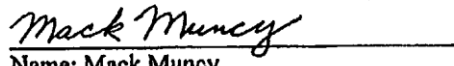


CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE  
AND DEVELOPMENT PROGRAMS  
LESLIE COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2010

The Leslie County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance and Development Programs were expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
Name: Jimmy Sizemore  
County Judge/Executive

  
Name: Mack Muncy  
County Treasurer

